

Message Text

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17

ACTION AF-06

INFO OCT-01 ARA-06 EUR-12 EA-06 NEA-10 ISO-00 ERDA-05

AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 EB-07

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INFO AMEMBASSY ABU DHABI

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AMEMBASSY CARACAS

AMEMBASSY DOHA

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LIBREVILLE

AMEMBASSY LONDON

AMEMBASSY QUITO

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

AMEMBASSY VIENNA

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E.O. 11652: N/A

TAGS: ENRG, XX, OPEC

SUBJECT: OPEC SEC GEN SPEAKS IN LAGOS

1. OPEC SECRETARY GENERAL FEYIDE SPOKE TO HOME-TOWN AUDIENCE
OF JOURNALISTS, DIPLOMATS, AND OIL COMPANY EXECUTIVES JUNE 19

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ABOUT OPEC AND ITS ROLE. AS HE SAID AT OUTSET, HE REVEALED

NOTHING PARTICULARLY NEW, BUT AUDIENCE WAS NONETHELESS VERY INTERESTED IN HOW HE CHOSE TO DEFEND OPEC, AND HIS PUBLIC EXPLANATION OF SEVERAL POINTS IN RECORDED BELOW.

2. OPEC IN GENERAL. CHIEF FEYIDE STRESSED THE RESPONSIBILITY AND CONSISTENCY OF OPEC AND CHARACTERIZED IT AS AN " ACTIVE BUT NOT AGGRESSIVE ORGANIZATION" WHICH IS CERTAIN TO HAVE A " CONTINUED VIGOROUS EXISTANCE." HE DENIED THAT OPEC HAD CONTRIBUTED TO INFLATION, QUOTED U.S. TREASURY STATISTICS TO PROVE THAT OPEC FUNDS HAVE NOT BEEN WITHHELD FROM TRADITIONAL FINANCIAL INSTITUTIONS, AND CLAIMED THE OPEC COUNTRIES NOW GIVE AWAY A FAR HIGHER PROPORTION OF THIER RESOURCES THAN THE INDUSTRIALIZED COUNTRIES.

3. OIL PRICES. IN HIS PREPARED REMARKS, CHIEF FEYIDE DENIED THAT OPEC WOULD NECESSARILY RAISE PRICES IN SEPTEMBER AND STRESSED THAT THE PRICE CHANGE WOULD BE A "READJUSTMENT" BASED ON A COMPLETE AND IMPARTIAL ASSESSMENT OF ECONOMIC FACTORS AS THEY EXIST THEN. IN REPLY TO QUESTION, HE LISTED AS PERTINENT FACTORS MARKET CONDITIONS, THE "UNIT OF ACCOUNT" (WHICH IS CLOSEST HE EVER CAME TO MENTIONING SDR'S), INFLATION, AND COST OF ALTERNATE SOURCES (ABOUT WHICH HE COMMENTED THAT FULL INFORMATION WOULD PROBABLY NOT BE READY IN TIME FOR THE SEPTEMBER MEETING).

4. OPEC AS A CARTEL. ASKED (BY THE HIGHEST RANKING NIGERIAN EMPLOYEE OF GULF OIL) IF SOME OPEC MEMBERS SHOULDN'T REDUCE PRICES, FEYIDE REPLIED THAT OPEC DECIDED ONLY THE PRICE OF MARKER CRUDE, AND MEMBERS ARE ENTIRELY FREE TO DETERMINE FOR THEMSELVES HOW MUCH TO ALLOW FOR QUALITY AND LOCATIONAL DIFFERENCES. (HE DID NOT USE THE WORD DIFFERENTIAL.) FEYIDE THEN COMMENTED THAT SAUDI ARABIA WAS OF COURSE NOT FREE TO REDUCE ITS PRICE TO, SAY, \$10.43, AND NO MEMBER COULD REDUCE ITS TAKE TO, SAY, \$7 A BARREL, BUT SUCH CIRCUMSTANCES WOULD NEVER ARISE BECAUSE OPEC DECISIONS TAKEN UNANIMOUSLY, AND DISTRESSED INDIVIDUAL MEMBERS WOULD BE AIDED BY THE OTHERS.

5. GAS PRICES. IN REPLY TO QUESTION, FEYIDE SAID THAT THE LIBREVILLE DECISION TO REGULATE PRICE OF NATURAL GAS WAS EXAMPLE OF "EARLY WARNING" WHICH OPEC ALWAYS GIVES WHEN IT HAS LIMITED OFFICIAL USE

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IMPORTANT MATTER UNDER CONSIDERATION. OPEC EXPERTS HAVE NOT YET RECOMMENDED HOW TO REGULATE GAS PRICES, AND THE MINISTERS WILL NOT MAKE HASTY DECISION. WHEN DECISION REACHED, IT LIKE ALL OPEC DECISIONS WILL BE PUBLISHED FOR ALL THE WORLD TO SEE.

6. PRODUCER/CONSUMER RELATIONS. REYIDE MADE NO MENTION OF P/C RELATIONS AS SUCH, PARIS PREPCON, IEA, SECRETARY KISSINGER'S

COMMISSION PROPOSAL, OR COMMODITIES OTHER THAN OIL AND GAS. HE MENTIONED THE "DUTY OF EVERY GOVERNMENT" TO CONSERVE ENERGY AND SAID OPEC MEMBERS WERE NOT WAITING ON CONSUMERS TO DO SOMETHING EFFECTIVE ABOUT CONSERVATION. HE TWICE REFERRED TO OPEC'S STATED POLICY OF INSURING ADEQUATE RETURN ON FOREIGN INVESTORS' CAPITAL.

7. COMMENT. TONE OF FEYIDE'S REMARKS WAS ENTIRELY MODERATE. HE TOOK OBVIOUS DELIGHT IN QUOTING STATISTICS FROM INDUSTRIALIZED COUNTRIES ABOUT THE RELATIVELY MINOR EFFECT OF OPEC ACTIONS ON INFLATION AND INTERNATIONAL FINANCE. SEVERAL OILMEN COMMENTED THAT HE LOOKED LESS NERVOUS AND MORE SELF-CONFIDENT THAN WHEN HE WAS DIRECTOR OF PETROLEUM RESOURCES. PUBLIC RELATIONS AND SPEECHMAKING HAD NOT BEEN HIS STRONGEST SUIT THEN, BUT HE HAS OBVIOUSLY HAD TO UNDERTAKE THESE DUTIES AS OPEC SEC GEN AND FEELS EQUAL TO THE TASK. HE REMARKED TWICE FROM THE PODIUM ON THE PRESENCE OF KENNETH MILLER, PIW BUREAU CHIEF FROM BEIRUT, "WHO FOLLOWS ME EVERYWHERE I GO AND FOR WHOM I HAVE THE DEEPEST RESPECT;" MILLER WAS THE ONLY MEMBER OF THE AUDIENCE SO RECOGNIZED. EASUM

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